

Message Text

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TO AMEMBASSY KUALA LUMPUR PRIORITY

INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 122089

E.O. 11652:GDS

TAGS: OVIP (HABIB, PHILIP C.) MY

SUBJECT:VISIT OF ASSISTANT SECRETARY HABIB TO MALAYSIA

REF: KUALA LUMPUR 2824 (NOTAL)

GENEVA FOR DUX, CHAIRMAN U.S. TIN DEL.

1. FOLLOWING IS GUIDANCE ON POINTS RAISED REFTEL FOR
ASSISTANT SECRETARY HABIB'S MEETING WITH MALAYSIAN PRIME
MINISTER:

A U.S. GOVERNMENT POSITION ON MEMBERSHIP IN INTER-
NATIONAL TIN COUNCIL (ITC): U.S. CURRENTLY IS PARTICIPATING
FULLY, TOGETHER WITH OTHER TIN PRODUCING AND CONSUMING
NATIONS, IN GENEVA U.N. TIN CONFERENCE TO NEGOTIATE FIFTH
INTERNATIONAL TIN AGREEMENT (ITA). REGARDING QUESTION OF
U.S. MEMBERSHIP IN ITC UNDER ITA, YOU MAY WISH TO REFER TO
SECRETARY'S SPEECH IN KANSAS CITY OF MAY 13 IN WHICH, AMONG
OTHER THINGS HE STATED THAT QUOTE THE U.S. IS AWARE OF
DEPENDENCE OF MANY COUNTRIES ON THEIR EARNINGS FROM A SINGLE
COMMODITY. IT IS LEGITIMATE AND REASONABLE THAT THEY SHOULD
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SEEK A RELIABLE, LONG TERM STABLE SOURCE OF EARNED INCOME
FOR THEIR DEVELOPMENT. UNQUOTE. HE WENT ON TO STATE THAT
QUOTE WE ARE PREPARED TO DISCUSS NEW ARRANGEMENTS IN

INDIVIDUAL COMMODITIES, ON A CASE-BY-CASE BASIS AS CIRCUMSTANCES WARRANT. UNQUOTE. U.S. VIEW OF COMMODITY ARRANGEMENTS IS BASED ON CONCLUSION THAT COMMODITIES MUST BE EXAMINED ON CASE-BY-CASE BASIS. IN SOME SPECIFIC INSTANCES PROBLEMS OF A COMMODITY MAY BE SUSCEPTIBLE TO PRICE STABILIZATION. IN OTHER CASES, E.G., BANANAS WHERE THERE IS STRUCTURAL OVER PRODUCTION, PRICE STABILIZATION SCHEMES WOULD SIMPLY NOT WORK. YOU MAY INDICATE TO PRIME MINISTER THAT IN OUR VIEW TIN IS AMONG MORE OBVIOUS CANDIDATES SUSCEPTIBLE TO PRICE STABILIZATION ARRANGEMENTS. IT IS IN THAT SPIRIT THAT WE ARE NOW PARTICIPATING IN GENEVA TIN CONFERENCE. BUT BEFORE WE CAN DECIDE ON OUR OWN PARTICIPATION IN INTERNATIONAL TIN AGREEMENT, WE WILL HAVE TO EXAMINE CLOSELY THE FINAL AGREED TEXT OF THE FIFTH ITA FOLLOWING CONCLUSION OF TIN CONFERENCE (SIGNING PERIOD WILL RUN THROUGH JANUARY 1976). IN ADDITION TO CAREFUL ANALYSIS OF AGREED TEXT, OTHER SIGNIFICANT FACTORS TO BE CONSIDERED IN REACHING DECISION ON U.S. MEMBERSHIP IN ITC INCLUDE VIEWS OF U.S. INDUSTRY. (FYI: U.S. STEEL INDUSTRY, PRINCIPAL U.S. CONSUMER OF TIN, REMAINS BASICALLY OPPOSED TO U.S. MEMBERSHIP IN ITA. END FYI), AND CONGRESSIONAL REACTION, SINCE (IF USG DECIDES TO SIGN FIFTH ITA) ITA WOULD HAVE TO BE SUBMITTED TO SENATE FOR ITS ADVICE AND CONSENT TO RATIFICATION AS A TREATY AND APPROPRIATIONS WOULD HAVE TO BE MADE AVAILABLE TO PAY U.S. SHARE OF ITC BUDGET.

B. CURRENT USG POLICY ON U.S. TIN AND RUBBER STOCKPILE DISPOSALS: USG POLICY ON STOCKPILE DISPOSALS CONTINUES TO BE ONE OF CONDUCTING DISPOSALS OF EXCESS STOCKPILE MATERIALS WITH DUE REGARD (AS REQUIRED BY LAW) TO PROTECTING USG AGAINST AVOIDABLE LOSS AND PROTECTING PRODUCERS, PROCESSORS, AND CONSUMERS AGAINST AVOIDABLE DISRUPTION OF THEIR USUAL MARKETS. AS THE PAST RECORD DEMONSTRATES THE USG HAS CONDUCTED STOCKPILE DISPOSALS IN A RESPONSIBLE MANNER AND IS READY TO CONSULT WITH FOREIGN PRODUCERS, AT THEIR REQUEST, AT ANY TIME CONCERN-
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ING U.S. STOCKPILE DISPOSAL PROGRAMS (NORMALLY, USG TAKES INITIATIVE IN CONSULTING ON STOCKPILE DISPOSALS ONLY WHEN THERE IS A PROPOSED CHANGE IN THE DISPOSAL PROGRAM). SPECIFICALLY RE TIN, REMAINING GSA TIN AUTHORIZED FOR DISPOSAL TOTALED 6,507 LONG TONS (LT) AT END OF APRIL 1975. GSA TIN SALES FOR JANUARY-APRIL 1975 TOTALED 310 LT. LEGISLATION PROVIDING GSA AUTHORITY FOR DISPOSAL OF ADDITIONAL 100,000 LT INTRODUCED IN CONGRESS EARLIER THIS YEAR, BUT WE UNABLE ESTIMATE WHETHER OR WHEN CONGRESS MAY ACT ON THIS LEGISLATION. FOR COMPLETE DETAILS OF PENDING LEGISLATION AND USG POSITION ON NEED FOR ADDITIONAL DIS-

POSAL AUTHORITY SEE DEPTELS 68766 (MARCH 26, 1975); 72747 (APRIL 1); AND 78407 (APRIL 7). IF AND WHEN ADDITIONAL DISPOSAL AUTHORITY ENACTED, ACTUAL DISPOSALS WILL BE CONDUCTED UNDER EXISTING LONG TERM TIN DISPOSAL PROGRAM. SHOULD THE USG DECIDE TO MODIFY EXISTING DISPOSAL PROGRAM IT WOULD DO SO ONLY FOLLOWING CONSULTATIONS WITH TIN PRODUCERS. RE RUBBER, ALTHOUGH GSA RUBBER STOCKPILE TOTALED 120,190 LT AT END OF APRIL 1975 (ALL OF IT SURPLUS, SINCE STOCKPILE OBJECTIVE FOR RUBBER IS ZERO), GSA HAS NO RPT NO UNUSED DISPOSAL AUTHORITY REMAINING AT PRESENT TIME. LAST GSA RUBBER SALES, WHICH EXHAUSTED DISPOSAL AUTHORITY, OCCURRED IN FEBRUARY 1975. IN CURRENT FISCAL YEAR, GSA RUBBER SALES DURING JUNE 1974-FEBRUARY 1975 TOTALED 10,319 LT. (FYI: GSA CURRENTLY CONSIDERING REQUESTING RUBBER DISPOSAL AUTHORITY, BUT NO RPT NO LEGISLATION HAS BEEN SUBMITTED TO CONGRESS YET. END FYI.)

C. IN REFERENCE THE IMF BUFFER STOCK FACILITY, YOU MAY WANT TO KNOW THAT IT HAS BEEN IN EXISTENCE FOR ABOUT FIVE YEARS BUT DONE ONLY \$11 MILLION OF LENDING (TO ONE COUNTRY - BOLIVIA) IN CONNECTION WITH THE INTERNATIONAL TIN AGREEMENT. THE MAIN OBSTACLES TO ITS USE ARE: (1) THE LACK OF PROVISION FOR DIRECT LENDING TO INTERNATIONAL BUFFER STOCKS; (2) THE NEED FOR BORROWERS TO SHOW A BALANCE OF PAYMENTS NEED; (3) BUFFER STOCK DRAWINGS NOW COUNT AGAINST A MEMBER'S GOLD TRANCHE POSITION (UNLIKE DRAWINGS ON THE COMPENSATORY FINANCING FACILITY); (4) THERE IS NO PROVISION FOR LENDING TO NATIONAL STOCK-PILING SCHEMES; AND (5) THERE IS A QUOTA LIMITATION SIMILAR
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TO THAT FOR THE COMPENSATORY FINANCING FACILITY.

YOU CAN TELL PRIME MINISTER THAT:

1) THE U.S.G. FULLY SUPPORTS THE REVIEW NOW IN PROGRESS.

2) ALONG WITH MOST OTHER COUNTRIES, THE U.S. IS SERIOUSLY CONSIDERING AMENDMENT OF THE FACILITY SO THAT DRAWINGS UPON IT DO NOT AFFECT A COUNTRY'S GOLD TRANCHE POSITION IN THE IMF.

3) THE U.S. WILL NOT BE ABLE TO MAKE A DECISION ON DIRECT IMF LENDING TO INTERNATIONAL BUFFER STOCK PROGRAMS UNTIL MORE STUDIES ON THE PROPOSALS ARE COMPLETED. IF SUCH LENDING DOES EVENTUALLY OCCUR, MEMBERS OF INTERNATIONAL BUFFER STOCK INSTITUTIONS SHOULD PROBABLY UNDERWRITE OR GUARANTEE REPAYMENT OF IMF LOANS MADE DIRECTLY TO

SUCH INSTITUTIONS.

D. U.S.G. POSITION TOWARD IMF FINANCING OF A TIN
AGREEMENT WILL BE MADE ON THE SAME GROUNDS AS THOSE
FOR ANY OTHER TYPE AGREEMENT, AS OUTLINED ABOVE. INGERSOLL

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